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Google chiefs agree to work for $1

Eric Schmidt, Larry Page and Sergey Brin agree to a $1 salary according to company's latest proxy.

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By Paul R. La Monica, CNN/Money senior writer

NEW YORK (CNN/Money) - Google's chief executive officer and co-founders are taking a page out of Apple CEO Steve Jobs' book: they are now being paid just $1 as an annual salary.

According to the search engine's latest proxy statement, filed with the Securities and Exchange Commission Friday, Google CEO Eric Schmidt and co-founders Larry Page and Sergey Brin requested during the second quarter of 2004 that their salaries be reduced to $1.

Prior to that, Schmidt had been earning an annual salary of $250,000 while Brin and Page received $150,000 a year. As a result of this pay cut, Schmidt wound up receiving a salary of $81,432 in 2004 while Brin and Page each earned $43,750.

The company added that during the first quarter of 2005, Google's compensation committee agreed to give Schmidt, Brin and Page a raise due to the company's strong performance. But all three declined the offer and will continue to earn a salary of just $1, the company said.

Still, it's not as if the three necessarily need a huge salary. All three executives own a significant stake in Google and the company said that their primary compensation will come from returns on that investment.

To that end, Schmidt, Brin and Page have all sold chunks of their Google stake during the past few months through pre-determined selling plans. According to filings with the SEC, Brin most recently sold 76,300 shares, generating $14 million in the process, earlier this month while Page sold 400,000 shares in March, raising more than $70 million.

But despite these sales, Google's three leaders still have a lot of their net worth tied up in

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Google's stock. According to the proxy, Schmidt owned approximately 13.9 million shares of Google as of the end of March while Brin and Page each owned nearly 36.5 million shares.

Based on current prices, that would make Schmidt's stake worth nearly $2.7 billion while Brin and Page are worth about $7.1 billion on paper.

Google (Research) went public last August and the stock has surged more than 125 percent since then thanks to the strong sales and earnings growth rates associated with the Internet advertising business.

The company has been castigated by some corporate governance experts however because of its dual-class stock structure, which gives extra voting power to Schmidt, Brin and Page and other holders of Google's class B shares. So the salary reduction may silence some of the naysayers.

"This is certainly a note of cautious optimism for those who have criticized them," said Paul Hodgson, a senior research associate with the Corporate Library, a firm that focuses on corporate governance issues.

Google's leaders aren't the first to forego a large salary. Apple's (Research) Jobs agreed to just a $1 salary in 1998, a year after he returned to the company he co-founded, and has been receiving a salary of $1 ever since.

Other CEOs have agreed to work for small salaries as well, but it's usually when times are tough, not when business is booming as it is for Google.

Cisco Systems (Research) CEO John Chambers, for example, agreed to reduce his salary from $350,000 to $1 in April, 2001 due to the company's poor performance following the bursting of the tech stock bubble. But last August, Chambers old salary was reinstated. The company cited the recovery in Cisco's business as the reason.

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